BLEAK OUTLOOK FOR OWNERS: Taxation, Tonnage Replacement ORDERS NOT PLACED
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Taxation, Tonnage Replacement

ORDERS NOT PLACED

Some pointed comments on the subject of shipbuilding costs were made by Mr J. W. Bayley, chairman of Ellerman Lines, Ltd., in his speech after the launch of the turbine cargo steamer City of Singapore, recently, by Alexander Stephen and Sons, Ltd. His company, he said, had built or acquired in the last few years 52 ships, and had nine vessels either under construction or on order, the last of which would not be delivered until 1953.

This would have done little more than replace their war losses, and to keep a fleet of the size of Ellerman Lines up-to-date, they ought to build three to four ships every year. They should be just as happy to place these orders as builders would be to receive them; but on account of the high costs he feared these orders were not going to be placed.

Pretty Grim Prospect

Mr Bayley said that a short time ago there seemed to be a prospect that builders might be able to give shipowners not only fixed prices but fixed dates for delivery, but with the nationalisation of the steel industry imminent, it was surprising that builders were now reluctant to quote fixed prices for the very obvious reason that they did not know what they would have to pay for steel in the future. All in all, the prospect of a reduction in building costs would seem to be pretty grim.

He hoped he might see the day when an owner might find himself in the position, as a result of his prudence, automatically to draw upon the money he had put aside for the sole purpose of replacing his obsolete ships. If he was unable to do that he must, in order to keep his trades going, make do with his old tonnage for a few more years. That could only go on for so long, and that unfortunate situation helped neither the owner nor the builder.

Mr Bayley declared that the burden of taxation which had been laid upon the country was well nigh intolerable. Vast Government expenditure called inevitably for high taxation but when that taxation reached the stage when profits which should be used for replacement of obsolete tonnage were more than halved, then the outlook was bleak.

The standard rate of income tax in 1923—five years after the end of the First World War—was 4s 6d. To-day it was just double. But on top of that there was superimposed profits tax which, contrary to its name, could be assessed on a company in a year in which no trading profits were made. That particular levy was laid upon all industry and was unequitable on many grounds but largely because it placed one further bar in the way of keeping capital assets up-to-date and thereby maintaining the maximum efficiency.

Three Requirements

Mr Bayley said he did not know the panacea for all their ailments, but he did know what had got to happen before they could look to the future with any degree of hope.

Firstly, shipowners should not be taxed out of existence and then expected to give that service to the country which very few industries could give. Secondly, the staggeringly high building costs must come down if owners and builders were to remain in business. Thirdly, while accepting the position that operating costs must be higher than before the war, shipowners had, in season and out of season, stressed the vital necessity of ships being given a quicker turn-round in port. It was a terrible admission to make that despite the ships having been given higher speeds and equipped with the most modern cargo working appliances, owners were in no better position than when they were operating slower and less efficient ships before the war.

Sir Murray Stephen, chairman of the builders, said they, as shipbuilders, were at least doing their best to minimise the cost of ships. Perhaps that was very cold comfort, but if they had not been making those efforts costs would have been higher. The rises in prices, however, had been out of the control of the shipbuilders.

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